19345 Point O Woods Court
Baton Rouge, Louisiana 70809
225-753-4723
225-753-4661 (fax)

Energy Research Services, Inc.

January 24, 2007

Commissioner James H. Welsh
Office of Conservation
PO Box 94275
Baton Rouge, LA 70804-9275
Attention: Mr. Tod Keating

Re: Request for Public Hearing
Hilcorp Energy Company
Bully Camp Commingling Facility No. 4 (Code No. 915540)
Bully Camp Field
Lafourche Parish, Louisiana

Dear Commissioner Welsh,

On behalf of Hilcorp Energy Company (Hilcorp), application is being made, pursuant to Statewide Order 29-D-1, for the calling of a public hearing, after legal notice, to consider evidence relative to the issuance of an order approving the commingling in the Bully Camp Commingling Facility No. 4 gas and/or liquid hydrocarbons produced from the PEOC (USA)/Sabine Royalty Trust lease (LUW Codes 445535 and 046055) with leases and units previously approved at the facility.

This action proposes to authorize for commingling, based on well test, all of the leases and units currently approved at the Bully Camp Commingling Facility No. 4 (915540). The method of measurement and allocation currently approved at the Bully Camp Commingling Facility No. 4 is by continuous metering. Therefore, a hearing is required to commingle the above referenced units and leases.

The method of measurement and allocation of production which Hilcorp Energy Company is proposing is explained in the attached description of operations and schematic flow diagram for the Bully Camp Commingling Facility No. 4. As indicated, the production will be allocated by monthly well test, using methods other than gauge tanks. The subject facilities are located in the Bully Camp Field, Lafourche Parish, Louisiana.

Attached are copies of the following:

- Schematic flow diagrams
- Description of operations
- List of interested owners, interested parties, and represented parties
- Hearing fee of $755.00

The applicable authority will be covered pursuant to Title 43, Part XIX.Subpart 6, Statewide Order No. 29-D-1. 1505.2 (Well Test). The allocation meters will be tested and proven monthly for liquid hydrocarbon meters and quarterly for gaseous hydrocarbon meters.

In Hilcorp's opinion, this authorization will promote conservation of the natural resources within the State of Louisiana, will prevent waste, will protect the rights of all parties at interest and will result in substantial economic savings without results that may be in any way inconsistent with conservation policies, statutes or regulations of the State of Louisiana. Further, in the opinion of the applicant, the commingling procedure proposed will provide reasonable, accurate measurement, will not create inequities and will insure that the owner of any interest will have the opportunity to recover his just and equitable share of the reservoir content. Hilcorp requests that this matter be set for hearing at the earliest possible time and date.

A copy of this application and attachments, except the check, is being sent to Mr. Richard D. Hudson, District Manager, Office of Conservation, Lafayette, Louisiana. A copy of the legal notice will be mailed to each Interested Owner, Represented Parties, and Interested Parties having an interest in the various leases and units.

All inquiries concerning this proposal should be directed to Mr. John T. Connolly, Agent for Hilcorp Energy Company, 19345 Point O Wood Court, Baton Rouge, Louisiana 70809.

Should you have any questions, please call or email me at 753-4723 / ersses@cox.net.

Very truly yours,

John T. Connolly
Agent for Hilcorp Energy Company

Cc: Ms. Leslie Avioli
Hilcorp Energy Company
PO Box 61229
Houston, Texas 77208

Mr. Richard Hudson
District Manager
Office of Conservation
825 Kaliste Saloom Road
Brandywine III, Suite 220
Lafayette, Louisiana 70508

DESCRIPTION OF OPERATIONS
BULLY CAMP COMMINGLING FACILITY NO. 4
(CF 915540)
BULLY CAMP FIELD
LAFOURCHE PARISH, LOUISIANA

Explanation of Flow

Production from Bully Camp Field wells enters the BCCF No. 4 from individual well flowlines or other bulk/test lines. Once in the BCCF No. 4 header system, production is then routed to either the bulk low pressure production system or low pressure gauge (test) system. All wells in this system are low pressure and on gas lift.

Bulk low pressure production from individual wells is routed to the two phase low pressure production separator where low pressure gas and fluids are separated. The low pressure gas is commingled with other low pressure gas off the three phase low pressure production treater, two phase low pressure gauge separator and three phase low pressure gauge treater, and routed to gas compression, via a low pressure suction scrubber. The compressed gas is routed through the high pressure gas dehydrator and metered for sale, or used for fuel or gas lift. The oil is routed to a three phase low pressure treater and metered prior to storage in fixed roof tanks to be sold by LACT to Central Crude by pipeline. The produced water is commingled with other water and routed to the SWD system for disposal by underground injection. Gas off of the three phase low pressure production treater is combined with gas from the two phase low pressure production separator, and processed as described above.

Low pressure test production from individual wells is routed to a two phase low pressure gauge separator where low pressure gas and fluids are separated. The low pressure gas is metered, commingled with other low pressure gas and routed to gas compression. The compressed gas is dehydrated and metered for sale, gas lift, or fuel. Total fluids from the two phase low pressure gauge separator are routed to the three phase low pressure gauge treater. The low pressure gas from the three phase low pressure gauge treater is metered, commingled with other low pressure gas and routed to gas compression. The oil from the gauge treater is metered and temporarily stored in fixed roof storage tanks to be sold by pipe line transport. The produced water from the gauge treater is metered, commingled with other water and routed to the SWD system for disposal by underground injection.

The liquids generated in the scrubbers are minimal, piped to the fixed roof commingled saltwater storage, and not metered.

All gas lift gas is individually metered at each well head, for wells on gas lift.

The oil and gas sales volumes are allocated to the wells based on well tests.

Explanation of Well Test

A wells' production will be determined by monthly well test conducted for a period of not less than twenty-four (24) hours, once per month. First, the individual well stream is diverted into a test header where it flows into a test separator and treater. From there the liquid hydrocarbons are directed to a calibrated turbine meter before going to commingled tankage where it is to be sold. Prior to delivery to a crude oil pipe line, the oil is measured by a LACT unit.

Gaseous hydrocarbons will be metered at a test separator and treater by means of calibrated orifice meters. Tests will be conducted for a minimum of twenty-four (24) hours once per month. Low pressure gas flows from the test separator and treater to compression. The compressed gas is scrubbed, dehydrated, and sold or used for fuel or gas lift. Gas sales will be apportioned from the sales meter.

Each liquid meter will be calibrated monthly and a meter factor will be derived from the calibration test. All meters will be calibrated on a monthly basis by third party meter calibration services. The sales volume will be allocated to the wells based on the well tests described above.

For gas lift oil wells, input gas is measured and subtracted from output gas to arrive at a net or formation gas production volume for allocation purposes.

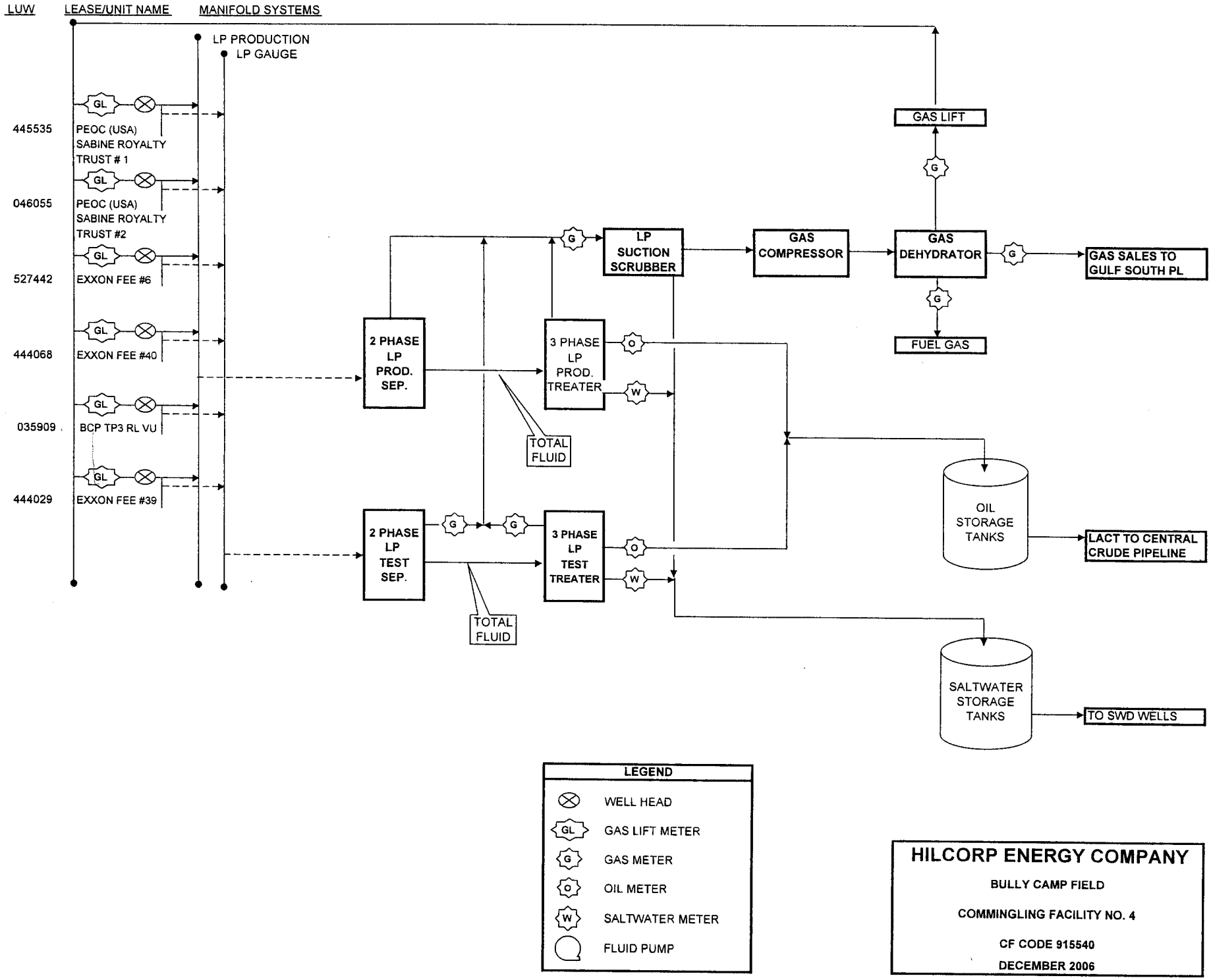
Explanation of Allocation

Oil: Total monthly oil sales are based on the volume of oil metered by LACT, sold and transported by pipeline. The oil sales tank is strapped before and after shipping to verify the volume metered and sold by the LACT unit. Individual oil production will be allocated to each well based on the following formula:

$$\frac{\text{Individual Oil Test Volume}}{\text{Sum of Individual Oil Test Volumes}} \times \text{Total Monthly Oil Sales Volume (LACT volume)}$$

Gas: The total monthly gas is measured at the Gulf South Sales Meter. Total gas, to be allocated back to each well, is the sum of gas sales, fuel gas, and gas lift gas metered volumes. Gas lift gas is deducted from each well on gas lift by subtracting the gas lift metered volumes at each well on lift. Individual gas production will be allocated to each well based on the following formula:

$$\frac{\text{Individual Gas Test Volume}}{\text{Sum of Individual Gas Test Volumes}} \times \text{Total Gas Sales Volume} + \text{Fuel Gas} - \text{Metered Well Gas Lift Volume}$$


LUW
LEASE/UNIT NAME
MANIFOLD SYSTEMS
LP PRODUCTION
LP GAUGE
445535
PEOC (USA)
SABINE ROYALTY
TRUST # 1
046055
PEOC (USA)
SABINE ROYALTY
TRUST #2
527442
EXXON FEE #6
444068
EXXON FEE #40
035909
BCP TP3 RL VU
444029
EXXON FEE #39
GL
G
O
W
GAS LIFT
LP
SUCTION
SCRUBBER
GAS
COMPRESSOR
GAS
DEHYDRATOR
GAS SALES TO
GULF SOUTH PL
FUEL GAS
2 PHASE
LP
PROD.
SEP.
3 PHASE
LP
PROD.
TREATER
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FLUID
2 PHASE
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3 PHASE
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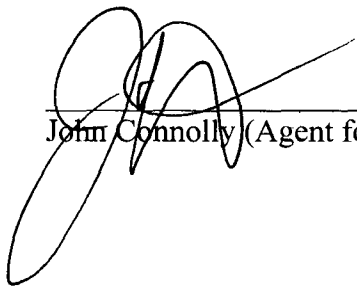
OIL
STORAGE
TANKS
LACT TO CENTRAL
CRUDE PIPELINE
SALTWATER
STORAGE
TANKS
TO SWD WELLS
LEGEND
WELL HEAD
GAS LIFT METER
GAS METER
OIL METER
SALTWATER METER
FLUID PUMP
HILCORP ENERGY COMPANY
BULLY CAMP FIELD
COMMINGLING FACILITY NO. 4
CF CODE 915540
DECEMBER 2006

In Hilcorp's opinion, this authorization will promote conservation of the natural resources within the State of Louisiana, will prevent waste, will protect the rights of all parties at interest and will result in substantial economic savings without results that may be in any way inconsistent with conservation policies, statues or regulations of the State of Louisiana. Further, in the opinion of the applicant, the commingling procedure proposed will provide reasonable, accurate measurement, will not create inequities and will insure that the owner of any interest will have the opportunity to recover his just and equitable share of the reservoir content.



John Connolly (Agent for Hilcorp Energy Company)